

## Message Text

UNCLASSIFIED

PAGE 01 VIENNA 06583 010841Z

12

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 FEA-01 AGR-10 CEA-01

CIAE-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 OPIC-06

XMB-04 /117 W

----- 034412

R 010732Z AUG 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 6314

UNCLAS VIENNA 6583

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, AU

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 165596; (B) VIENNA A-187, APRIL 5, 1974

1. FOLLOWING IS EMBASSY'S SUBMISSION IN RESPONSE TO REFTEL  
(A). THE NARRATIVE STATEMENT ON INVESTMENT CLIMATE HAS BEEN  
MODIFIED ONLY SLIGHTLY FROM LAST YEAR'S SUBMISSION (REFAIR B).  
STATISTICAL DATA HAVE BEEN REVISED IN ACCORDANCE WITH THE  
LATEST ESTIMATE OF THE AUSTRIAN NATIONAL BANK AND AN INFORMAL  
SURVEY OF U.S. DIRECT INVESTMENTS IN AUSTRIA MADE BY THE  
EMBASSY IN SPRING 1975.

2. MORE THAN EVER AUSTRIA OFFICIALLY WELCOMES FOREIGN  
DIRECT INVESTMENT WHICH CREATES NEW JOBS, CONTRIBUTES TO  
THE RATIONALIZATION AND RESTRUCTURING OF THE ECONOMY, AND  
DOES NOT COMPETE IN SECTORS ALREADY BURDENED WITH EXCESS  
CAPACITY. IN THE PREFACE OF THE QUOTE HANDBOOK FOR INVESTORS  
UNQUOTE, RECENTLY PUBLISHED BY THE AUSTRIAN TRADE MINISTRY,  
THE AUTHORS STATE: QUOTE IT THEREFORE APPEARS SENSIBLE TO  
PROMOTE THE INFLUX OF PRODUCTIVE CAPITAL AND TO ABANDON MORE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 VIENNA 06583 010841Z

AND MORE NATIONALISTIC CONSIDERATIONS WITH REGARD TO THE

EXPLOITATION OF CAPITAL SOURCES, BECAUSE FOREIGN DIRECT INVESTMENTS GENERATE AN ECONOMIC INTEGRATION SUI GENERIS WHICH REDUCES TENSIONS OVER TRADE POLICY AND USES THE ADVANTAGES OF INTERNATIONAL DIVISION OF LABOR TO INCREASE PROSPERITY. UNQUOTE.

WITH THE EXCEPTION OF EXCHANGE CONTROLS ON INCOMING FUNDS IMPOSED IN CONNECTION WITH THE GOVERNMENT'S STABILIZATION PROGRAM AND WORLD MONETARY PROBLEMS, THERE ARE NO DIRECT GOVERNMENT RESTRICTIONS ON FDI. HOWEVER, THE FEDERAL AND STATE GOVERNMENTS AND SEMI-OFFICIAL ORGANIZATIONS SUCH AS THE CHAMBERS OF COMMERCE, THE LEAGUE OF INDUSTRIALISTS AND TRADE ASSOCIATIONS CAN SERIOUSLY DISCOURAGE AN UNDESIRABLE INVESTMENT THROUGH BUREAUCRATIC DELAYS SUCH AS THE WITHHOLDING OF PERMITS OR CERTAIN INCENTIVES.

THE FOREIGN EXCHANGE CONTROLS IN EFFECT ARE PRIMARILY DESIGNED TO RESTRICT THE FLOW OF SPECULATIVE SHORT-TERM CAPITAL. THE AUSTRIAN NATIONAL BANK READILY AUTHORIZES CAPITAL IMPORTS FOR INVESTMENT IN NEW PRODUCTIVE FACILITIES. THE CONTROLS ARE DUE TO EXPIRE ON DECEMBER 31, 1975 BUT MAY BE EXTENDED. WITH THE EXCEPTION OF THE FOREIGN EXCHANGE LICENSE REQUIREMENTS, FDI IS TREATED THE SAME AS DOMESTIC INVESTMENT.

INCENTIVES ARE THE MAIN MEANS OF INFLUENCING FDI. HOWEVER, DOMESTIC FIRMS ARE EQUALLY ELIGIBLE FOR ALL INCENTIVE PROGRAMS. THE FEDERAL GOVERNMENT OFFERS ACCELERATED DEPRECIATION, ERP-FUND LOANS, EXPORT FINANCING, AND LOW-INTEREST START-UP LOANS; PROVINCIAL AND LOCAL GOVERNMENTS IN FAST DISAPPEARING DEPRESSED AREAS AND COMMUNITIES WITH STRUCTURAL PROBLEMS OFFER INTEREST SUBSIDIES, LAND GRANTS, CREDIT GUARANTEES AND, IN SOME CASES, WAIVERS OF CERTAIN LOCAL TAXES. THE STATE GOVERNMENTS DECIDE ON THE GRANTING OF THESE INCENTIVES DEPENDING ON THE DESIRABILITY OF THE INDIVIDUAL INVESTMENT IN QUESTION. INVESTMENTS CONSIDERED DESIRABLE ARE THOSE WHICH INCREASE EMPLOYMENT, INTRODUCE HIGH TECHNOLOGY, USE THE PRODUCTS OF LOCAL INDUSTRY, AND DO NOT COMPETE WITH THE LOCAL INDUSTRY, ESPECIALLY NATIONALIZED INDUSTRY. TAKE-OVERS OF EXISTING SUCCESSFUL FIRMS ARE DISCOURAGED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 VIENNA 06583 010841Z

A GENERAL INCENTIVE TO FDI HAS ALWAYS BEEN THE EXCELLENT LABOR/MANAGEMENT RELATIONS IN AUSTRIA. THE SO-CALLED QUOTE PARITY COMMISSION UNQUOTE MADE UP OF REPRESENTATIVES OF GOVERNMENT, INDUSTRY, LABOR AND AGRICULTURE HAS SUCCEEDED IN MAINTAINING FOR NEARLY 25 YEARS AN ALMOST STRIKE-FREE SOCIETY WITH ONLY MODERATE WAGE DRIFT. THE COUNTRY'S NEUTRAL STATUS AND INTERIOR POLITICAL STABILITY HAVE ALSO CONTRIBUTED TO ITS ATTRACTION FOR FOREIGN INVESTORS. AUSTRIA IS A MEMBER

OF THE EUROPEAN FREE TRADE AREA AND HAS A TRADE AGREEMENT WITH THE EUROPEAN COMMUNITIES. FROM THE BEGINNING OF 1977 ON, AUSTRIA'S TRADE WITH THE FIFTEEN MEMBER COUNTRIES OF THESE TWO GROUPINGS WILL BE FREE OF DUTY WITH REGARD TO MANUFACTURED AND SOME AGRICULTURAL PRODUCTS. THERE IS A TREND IN AUSTRIAN POLICY TOWARD FDI TO ENCOURAGE US AND SWISS INVESTMENT AS AN OFFSET TO ALREADY EXCESSIVE GERMAN INVESTMENT. AUSTRIA HAS A FCN TREATY AND A DOUBLE TAXATION CONVENTION WITH THE U.S.

3. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT (BOOK VALUE) AT THE END OF 1974,  
BROKE DOWN BY SECTORS:

TOTAL, ALL INDUSTRIES	-	\$279 MILLION
MINING AND SMELTING	-	\$ 33 MILLION
PETROLEUM	-	\$122 MILLION
MANUFACTURING	-	\$ 55 MILLION
OTHER INDUSTRIES	-	\$ 69 MILLION

B. DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE), NOT  
BROKEN DOWN BY SECTOR, AT THE END OF 1973:

TOTAL, INCLUDING U.S.	-	\$1.75 BILLION
SWITZERLAND/LIECHTENSTEIN - #		\$431 MILLION
WEST GERMANY	-	\$350 MILLION
UNITED KINGDOM	-	\$ 90 MILLION

C. DIRECT INVESTMENTS BY AUSTRIAN SOURCES IN THE U.S. AT THE  
END OF 1973: NEGLIGIBLE (ABOUT \$11 MILLION)  
ABOVE FIGURES ARE ESTIMATES BASED ON DATA PUBLISHED BY THE  
AUSTRIAN NATIONAL BANK IN ITS MONTHLY REPORT OF SEPTEMBER 1974.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 VIENNA 06583 010841Z

#) A LARGE PORTION OF THESE INVESTMENTS ARE ACTUALLY OF  
GERMAN ORIGIN. IN FACT, THE FEDERAL REPUBLIC OF GERMANY IS  
THE LARGEST DIRECT INVESTOR IN AUSTRIA. BUCHANAN

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVESTMENT CLIMATE, INVESTMENT OPPORTUNITY REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975VIENNA06583  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750265-1061  
**From:** VIENNA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750888/aaaaczuv.tel  
**Line Count:** 157  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 165596, 74 VIENNA A-187  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 FEB 2003 by ReddocGW>; APPROVED <21 JAN 2004 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN INVESTMENT CLIMATE AND STATISTICS  
**TAGS:** EFIN, EIND, EINV, AU  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006